

Message Text

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21 14

ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 AEC-11 AECE-00 SCI-06

DRC-01 /106 W

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P 290942Z NOV 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9468

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E.O. 11652: N/A

TAGS: EFIN, RP

SUBJECT: MONTELIBANO NO. 2 (MALAYA) POWER PLANT

PASS EXIM

1. PHILIPPINE GOVERNMENT HAS DECIDED TO RETURN SUBJECT PROJECT TO MERALCO. DECISION FOLLOWS SUCCESSFUL EFFORT TO REMOVE LOPEZ FAMILY FROM CONTROL OF MERALCO AND IS BELIEVED TO REFLECT IN PART AT LEAST DOUBTS ABOUT CAPABILITY OF NATIONAL POWER CORPORATION TO MEET SIMULTANEOUSLY TECHNICAL REQUIREMENTS FOR THIS PLANT, PROPOSED NUCLEAR PLANT AND PROSPECTIVE GEOTHERMAL PLANTS.

2. GOVERNMENT'S DECISION MADE SHORTLY BEFORE SUPPLIERS' BIDS ON PROJECT DUE TO EXPIRE. AT REQUEST OF GOVERNMENT AND MERALCO U.S. SUPPLIERS HAVE AGREED TO FURTHER EXTEND BIDS FROM NOV. 30 TO DECEMBER 15. MERALCO HAS ASKED SUPPLIERS TO PROVIDE FINANCING PROPOSALS BY DECEMBER 5 IN ORDER TO PERMIT MERALCO TO FORWARD ITS RECOMMENDATIONS TO GOVERNMENT BY DECEMBER 10. SUPPLIERS EXPECTED APPROACH EXIM

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BANK DIRECTLY FOR PRELIMINARY COMMITMENTS.

3. EMBASSY BELIEVES EXIM SHOULD MAKE EVERY EFFORT TO RESPOND EXPEDITIOUSLY TO ANTICIPATED REQUESTS FROM SUPPLIERS. JAPANESE COMPETITOR FOR PROJECT, MARUBENI HITACHI, HAS BEEN RECEIVING CONSIDERABLE SUPPORT FROM JAPANESE GOVERNMENT AND IS EXPECTED BE ABLE TO OFFER GENEROUS FINANCING. EMBASSY HAS RECEIVED INDICATIONS FROM NUMBER OF GOP OFFICIALS THAT NPC EVALUATION INDICATED U.S. SUPPLIERS WERE SOLID CONTENDERS FOR PROJECT ON BASIS OF FINANCING PROPOSALS SUPPORTED BY EXIM. CHANCES OF U.S. FIRM LANDING PROJECT UNDER MERALCO AUSPICES APPEAR GOOD ASSUMING FINANCIAL PACKAGE OFFERED IS ADEQUATE.

4. FINANCIAL PROSPECTS OF MERALCO IMPROVED WITH LOPEZ OUSTER, BUT FINANCIAL CONDITION OF COMPANY STILL UNSATISFACTORY. MERALCO EXECUTIVES ARE CURRENTLY IN PROCESS OF RESTRUCTURING DEBT TO EASE COMPANY'S DEPENDENCE ON SHORT-TERM FUNDS AND TO PROVIDE ADEQUATE OPERATIONG CAPITAL. REVENUES CONTINUE TO BE INADEQUATE TO SERVICE DEBT AND OTHER OBLIGATIONS. NEED FOR RATE INCREASE IS WIDELY RECOGNIZED. HOWEVER, DESPITE REORGANIZATION OF COMPANY, NO TIMETABLE FOR RATE INCREASE HAS YET BEEN REPORTED TO EMBASSY.

5. IN ORDER TO ASSIST EMBASSY IN SUPPORTING AMERICAN FIRMS COMPETING FOR THIS PROJECT EMBASSY WOULD APPRECIATE PRIORITY REPORTS ON ANY EXIM ACTIONS TO PROVIDE PRE-LIMINARY COMMITMENTS TO SUPPLIERS OR TO REVIVE EARLIER PRELIMINARY COMMITMENT TO MERALCO.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, INDUSTRIAL PLANTS, PROGRAMS (PROJECTS), PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 29 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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Review Exemptions: n/a
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30 JUN 2005

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TAGS: EFIN, RP, XMB
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